

Template 2

Fit for the Future

Leeton Shire Council Improvement Proposal



Office of
Local Government



Getting started . . .

Before you commence this template, please check the following:

- You have chosen the correct template – only councils that have sufficient scale and capacity and who do not intend to merge or become a Rural Council should complete this template (Template 2)
- You have obtained a copy of the guidance material for Template 2 and instructions for completing each question
- You have completed the self-assessment of your current performance, using the tool provided
- You have completed any supporting material and prepared attachments for your Proposal as PDF documents. Please limit the number of attachments and ensure they are directly relevant to your proposal. Specific references to the relevant page and/or paragraph in the attachments should also be included.
- Your Proposal has been endorsed by a resolution of your Council.

Council name: Leeton Shire Council

Date of Council resolution endorsing this submission: 24 June 2015

1.1 Executive Summary

Provide a summary (up to 500 words) of the key points of your Proposal including current performance, the issues facing your council and your planned improvement strategies and outcomes.

Fit for the Future is the term used by the NSW Government when referring to Local Government structural reform. The NSW Government has requested that each Council in NSW prepare a submission by 30 June 2015 to outline how it will become Fit for the Future.

Using the Fit for the Future criteria, Councils need to demonstrate how they will become sustainable, provide effective and efficient services and have the scale and capacity needed to meet the needs of communities and partner with the NSW Government.

Leeton Shire Council has undertaken two separate business cases as part of its Fit for the Future requirements. These are:

- 1) to determine if a merger with Narrandera Shire Council is beneficial to both Councils see attached document "Leeton & Narrandera Council's Fit for the Future Shared Modelling April 2015" (Morrison and Low)

2) a separate business study on remaining as an individual Council (stand alone) whilst implementing some significant process improvements, see attached Leeton Shire Council Fit for the Future Improvement Proposal June 2015” (Morrison and Low)

As per the Council report presented to Council at the Ordinary meeting of the 22 April 2014 a business case was prepared by Morrison and Low consultants into the feasibility of a merger between Leeton Shire and Narrandera Shire Councils. The shared modelling business case identified that:

- There is little difference between the existing scale and capacity of each council and the merged council.
- Currently both councils meet three of the seven Fit for the Future Benchmarks. A merged Council would only meet two.

On Monday 13 April 2015 a joint meeting of Leeton and Narrandera Councils was held to consider the final report from Morrison Low consultants on a merger case for the two Councils as recommended by the Independent Local Government Review Panel Report. The outcome of this meeting provided strong agreement that a merger of the two Councils did not provide any operational, financial or governance advantages.

Leeton Shire Council has now undertaken a substantial review of its operations in order to determine if it can make a submission as a “stand alone” council with a number of process improvements identified. Council has engaged Morrison and Low to carry out this review.

The recently completed “Stand Alone” business case (Improvement process document attached) indicated that Leeton Shire Council was in a position to meet 6 of the 7 benchmark criteria set by the NSW State Government by 2020. As this is a vast improvement on the 2 benchmarks met by a joint Leeton/Narrandera Council, a formal submission will be made to IPART for Leeton Shire Council to remain as a stand alone Council, whilst implementing a process improvement plan.

Two public meetings were held on the 3 June 2014 to outline to the community the options available to Council in relation to the Fit for the Future process. Both meetings were unanimous in the desire by the community for Leeton Shire Council to stand alone as an individual Council whilst undertaking process improvements to improve its long term sustainability.

1.2 Scale and Capacity

Does your council have the scale and capacity broadly consistent with the recommendations of the Independent Local Government Review Panel?

(ie, the Panel did not recommend your council needed to merge or become a Rural Council).

If No, please indicate why you are not proceeding with a voluntary merger or creation of a Rural Council as recommended by the Independent Panel and demonstrate how your council has scale and capacity (up to 500 words).

Leeton Shire Council is classified as a Group G: Larger rural and regional councils (excluding Hunter, Central Coast and Illawarra) in the final report by the Independent Local Government Review Panel.

The Independent Local Government Review Panel in its final report recommended that Leeton Shire Council and Narrandera Shire Council should investigate a possible merger between the two Councils.

As such both Leeton Shire, Narrandera Shire and the State Government jointly funded a business case to outline the merits or otherwise of a merged Council entity. A business case was prepared by Morrison and Low consultants into the feasibility of a merger between the two Councils. The shared modelling business case identified that:

- There is little difference between the existing scale and capacity of each council and the merged

council.

- Leeton Shire Council currently meets three of the seven Fit for the Future Benchmarks whilst Narrandera Shire Council currently meets only two (with a third being met in 2017). The merged Council would only meet two.

On Monday 13 April 2015 a joint meeting of Leeton and Narrandera Councils was held to consider the final report from Morrison Low consultants on a merger case for the two Councils as recommended by the Independent Local Government Review Panel Report. The outcome of this meeting provided strong agreement that a merger of the two Councils did not provide any operational, financial or governance advantages.

Improvement Plan Methodology

Council undertook a process of identifying, investigating and testing a range of improvement opportunities.

In addition to the opportunities that are able to be modelled into the Long Term Financial Plan, staff have identified several other potential opportunities which require further work to ascertain possibility of implementation and estimated financial benefits. Once these are costed they will be built into future revisions of the Long Term Financial Plan.

With the implementation of the process improvement plan Council now achieves six of the seven benchmarks by 2020. Council's ability to reach scale and capacity required as a stand-alone council is highlighted by:

- Good financial sustainability position - TCorp rating "Moderate"
- As per the final report by the Independent Local Government Review Panel (Page 29 – Councils at Risk) Leeton Shire Council is noted as not being at risk.
- Extremely high Own Source Revenue ratio. Tracking at around 69% over next four year period. If Council includes the annual Financial Assistance Grant (which is an annual reoccurring grant) received each year then this rises to nearly 90% Own Source Revenue.

- Stable population - forecasts for positive population increments into the future
- Solid financial reserves allowing Council to respond to changing environments
- Council has highly qualified and experienced staff which enables Council to carry out its work activities accordingly.

Council's ability to meet scale and capacity requirements is outlined on Pages 4 to 17 of the attached "Leeton Shire Council Fit for the Future Improvement Proposal".

2. Your council's current position

2.1 About your local government area

Explain the key characteristics of your local government area, your community's goals and priorities and the challenges you face in the future (up to 500 words).

You should reference your Community Strategic Plan and any relevant demographic data for this section.

Leeton is located in the Riverina region of New South Wales and is situated approximately 550km west of Sydney and 450km north of Melbourne in the productive Murrumbidgee Irrigation Area. The population of Leeton Shire was recorded as 11,595 with the main urban area of Leeton having a population of 6,733. Other villages within Leeton Shire include Yanco, Whitton, Murrami and Wamoon.

Leeton Shire is situated in one of the most productive farming regions in the state, with citrus, rice, grapes, cotton and wheat farms as well as sheep and cattle grazing found throughout. The region plays an important role in feeding Australians and the world, with each MIA farmer estimated to feed 600 people (450 through exports) and collectively contributing to 38% of NSW's vegetable production

A Snapshot of Leeton

Area:	1132km ²
FTE Employees:	135
Annual Budget	\$30m
Total Asset Base:	\$243m
Sealed Roads (Urban):	130km

Sealed Roads (Rural): 295km
Unsealed Roads (Rural): 495km

Community Demographics

Leeton Shire Council's community demographics include:

- Indigenous 5.9%
- Speaks another language 5.9%
- Median age 36
- University qualifications 8.4%
- Median household income \$966.00
- Average household size 2.53
- Percentage of households leased 26%

Local Economy and Employment

Leeton's economy is largely based on the production and value adding of irrigated agriculture as well as a strong education sector.

The following significant investment and employment generating development has occurred in Leeton over the past 20 years.

- St Francis High School (major boarding school)
- Yanco Agricultural High School (boarding school)
- Yanco Agricultural Institute
- Pacific Fresh

- Sun Rice
- Cop Rice
- Berri
- Freedom Foods
- Walnuts Australia
- Yara fertilizers
- Commins stainless manufacturing
- Southern Cotton Gin
- Bio-Char (soil enhancement)
- JB Swift Riverina Beef abattoir and feedlot
- Climate Technology
- Export cotton processing plant
- Export fodder processing plant
- Grain Link
- Patricks

The ongoing growth of Leeton Shire has been highlighted by the recent completion of a new 100 lot residential subdivision.

Our Community Vision, Aspirations and Priorities

Council Community Strategic Plan “Leeton Living Towards 2024 highlights the following 5 key priority areas:

CARING FOR OUR HEALTH AND WELLBEING

- Ensure that access to quality health services is maintained and that stronger health support networks are progressed to cater to the needs of the community
- Seek local access to education that encompasses the whole of the community and pursue increases in

training and workplace learning opportunities to encourage our youth to remain as local residents

- Provision of premier standard facilities and areas for the community to access and enjoy an interesting variation of activities including physical, scholarly and passive recreation
- Keeping our community safe through clever planning, effective law and order initiatives and education

ENHANCING & PRESERVING OUR NATURAL ASSETS

- Striving for sustainable use of our water resources that is balanced between social, economic and environmental needs relative to us
- Encourage maintenance of a healthy environment through effective waste management, pollution reduction measures and energy efficiencies

BUILDING OUR BUSINESS & LOCAL JOBS

- Encourage economic and industrial development with diversity that builds upon our vitality to create a dynamic presence that is attractive to outside interest
- Increase and develop opportunities for tourism to encourage growth in visitation and enhanced economic strength

DEVELOPING OUR BUILT ENVIRONMENT

- Plan effectively for new infrastructure needs to remove duplication as well as ensure appropriate and efficient maintenance and management practices of our public infrastructure to ensure use to effective full potential
- Effective building and planning strategies, and management practices that reflect an awareness of current environmental considerations in line with sound building practises and future development potential

STRENGTHENING OUR LEADERSHIP DIRECTION

- Effective management and administration of Council's resources to ensure that the community's interests are met and sustainable into the future

2.2 Key challenges and opportunities

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good financial sustainability position - TCorp rating “Moderate” • As per the final report by the Independent Local Government Review Panel (Page 29 – Councils at Risk) Leeton Shire Council is noted as not being at risk. • Extremely high Own Source Revenue ratio. Tracking at around 69% over next four year period. If Council includes the annual Financial Assistance Grant (which is an annual reoccurring grant) received each year then this rises to nearly 90% Own Source Revenue. • Responsible financial management highlighted by 6 of the 7 benchmarks being met with the highlighted d process improvements to be undertaken • Stable population - forecasts for positive population increments into the future • Commercial and residential land available to comfortably cover any projected population increases and any proposed commercial expansions. • Solid financial reserves • Highly qualified staff as outlined in Pages 8 to 	<ul style="list-style-type: none"> • Locality i.e. the LGA is not located on a major rail corridor which may be detrimental to the most efficient movement of freight • Regional road networks and heavy vehicle routes need to be constructed or upgraded to enable access by road trains and B-Doubles • Rail network needs upgrading • Specialist medical services generally located outside of Leeton

10 of the attached “Leeton Shire Council Fit for the Future Improvement Proposal”

- Committed Councillors (without party political influence)
- Increasing investment in agricultural industry in the area
- Local communities that work effectively in partnership with Council which are highlighted by the use of volunteers in key areas such as the Visitor’s Centre, Meals on Wheels, Golf Course and Whitton Museum
- Fixed wireless broadband internet access in place
- Leeton Shire has easy access to its main administration area from any village or farm area within its borders. Drive time from any of its villages is approximately fifteen (15) minutes at the maximum

Opportunities	Threats
<ul style="list-style-type: none"> • Creation of regional transport infrastructure such as an intermodal hub creating further industry and employment opportunities • Attract additional value adding industries resulting in an enhancement of existing activities • Further resource sharing with neighbouring councils • Further enhancement of Leeton as a regional educational hub 	<ul style="list-style-type: none"> • Changes to irrigated water allocations and entitlements • Any reduction in the level of Financial Assistance Grant funding by Federal Government • Environmental threats i.e. prolonged drought/floods/agricultural disease outbreaks • Additional Cost shifting from State and Federal Government that places more pressure on local government

2.3 Performance against the Fit for the Future benchmarks

Sustainability

Measure/ benchmark	2013 / 2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-9%	No	-6%	No
Own Source Revenue Ratio (Greater than 60% average over 3 years)	74%	Yes	68.6%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	77%	No	60.2%	No

If the Fit for the Future benchmarks are not being achieved, please indicate why.

For example, historical constraints/context, one-off adjustments/factors, council policies and trade-offs between criteria.

Leeton Shire Council has identified a number of improvement opportunities that will help reduce the operating costs of the Council and overtime assist in Council being able to meet the operating performance ratio benchmark of greater than breakeven. Each of the opportunities has a direct cost saving benefit to the organisation (or increase in revenue), thereby improving Council's operating position. Some key actions include:

- Implementing previous recommendations relating to the size of Council's Executive team
- Applying a natural attrition policy to various roles across the Council that are due to become vacant in the short term through retirements.
- Reviewing the services, service levels and service delivery models for the following areas
 - Community Services
 - Sport and recreation facilities
 - Library
- It should also be noted that Leeton Shire Council has an extremely high Own Source Revenue ratio. Tracking at around 69% over the next four year period. If Council includes the annual Financial Assistance Grant (which is an annual reoccurring grant) received each year then this rises to nearly 90% Own Source Revenue.

It should be noted that at this stage Council has not been required to apply for a special rate variation.

2.3 Performance against the Fit for the Future benchmarks

Infrastructure and service management

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
-----------------------	---------------------------	-----------------------------	--	-----------------------------

Infrastructure Backlog Ratio (Less than 2%)	10.6%	No	14%	No
Asset Maintenance Ratio (Greater than 100% average over 3 years)	101%	Yes	101%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1%	Yes	3%	Yes

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Leeton Shire Council has taken the approach that any operating surplus generated as a result of the improvement opportunities identified will be applied to renewals. This will positively impact Council's Building and Infrastructure Renewal Ratio and the Infrastructure Backlog Ratio.

In addition to these the following actions and strategies will directly impact infrastructure and service management:

- Greater emphasis on asset renewal works in accordance with adopted Asset Management Plans resulting in a lowering of maintenance expenditure
- Review of Depreciation rates for Council's assets
- Reduction in frequency of street sweeping
- Contracting out collection of litter bins

- Changing the approach to roundabout plantings
- Disposal of non-core assets
- Review of engineering services

2.3 Performance against the Fit for the Future benchmarks

Efficiency

Measure/ benchmark	2013 /2014 performance	Achieves FFTF benchmark?	Forecast 2016 / 2017 performance	Achieves FFTF benchmark?
Real Operating Expenditure per capita <small>A decrease in Real Operating Expenditure per capita over time</small>	\$1,398	No	\$1,464	No

If the Fit for the Future benchmarks are not being achieved, please indicate why.

Council's modelled real operating expenditure per capita shows a downward trend from the current real operating expenditure per capita of \$1,464 in 2013/14 to \$1,463 in 2019/20. These figures are modelled on the current ABS population statistics, however if modelled on the population estimates by "Informed Decisions – Population Experts August 2014" which indicate it will grow to 12,337 by 2031 there will be further improvement in this ratio.

2.4 Water utility performance

NB: This section should only be completed by councils who have direct responsibility for water supply and sewerage management

Does your council currently achieve the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework?

YES

If NO, please explain the factors that influence your performance against the Framework.

Not applicable as Leeton Shire Council meets the requirements of the NSW Government Best Practice Management of Water Supply and Sewerage Framework

How much is your council's current (2013/14) water and sewerage infrastructure backlog?

\$16.6 M based on Special Schedule 7 2013-14

Please note: The methodology behind Council's Bring to Satisfactory (BTS) figure has undergone substantial modifications over the last 3 years due to modified reporting requirements from the Office of Local Government. In 2012/13 a literal definition of 'satisfactory' was decided upon through collaboration and consultation of Council officers. In 2013/14 however, the Office of Local Government mandated that satisfactory be considered to be anything worse than a condition level of 2. Council followed this instruction and the resulting figures seemed inaccurate for the asset base as it was at the time. The guidance from the OLG was quite simplistic

that any asset not reaching a condition level of 2 was deemed unsatisfactory. This is now under review.

Council is reviewing the bring to satisfactory assessment of its assets as part of the annual financial statements for 2014/15 and is of the opinion that the above figure of \$16.6m will be significantly reduced.

2.4 Water utility performance

Identify any significant capital works (>\$1m) proposed for your council's water and sewer operations during the 2016-17 to 2019-20 period and any known grants or external funding to support these works.

Capital works

Proposed works	Timeframe	Cost	Grants or external funding
Sewer Rehabilitation Work	2016-17 to 2019-20	\$ 1.5 M	Nil
Water Main Replacement Work	2016-17 to 2019-20	\$ 1 M	Nil

2.4 Water utility performance

Does your council currently manage its water and sewerage operations on at least a break-even basis?

YES

If No, please explain the factors that influence your performance.

The accumulative operating result for water fund between 2010 and 2014 is a surplus of \$536,000 (before capital).

The accumulative operating result for sewer fund between 2010 and 2014 is a surplus of \$596,000 (before capital).

2.4 Water utility performance

Identify some of your council's strategies to improve the performance of its water and sewer operations in the 2016-17 to 2019-20 period.

Improvement strategies

Strategy	Timeframe	Anticipated outcome
Review of Best Practice Plans (Strategic Business Plan, Financial Plan, Developer Servicing Plan & Asset Management Plan)	2015-16	updated management plan
Review of Pricing Structure for Water and Sewer	2015-16	updated fees and charges
Review the performance of Sewerage Treatment Works	2015-16	improved performance
Review the performance of Water Treatment Plants	2016-17	improved performance

3. How will your council become/remain Fit for the Future?

3.1 Sustainability

Summarise your council's key strategies to improve performance against the Sustainability benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Leeton Shire Council has identified a number of improvement opportunities that will help reduce the operating costs of the Council and overtime assist in Council being able to meet the operating performance ratio benchmark of greater than breakeven. Each of the opportunities has a direct cost saving benefit to the organisation (or increase in revenue), thereby improving the Council's operating position. Some key actions include

- Implementing previous recommendations relating to the size of Council's Executive team
- Applying a natural attrition policy to various roles across the Council that are due to become vacant in the short term through retirements.
- Reviewing the services, service levels and service delivery models for the following areas
 - Community Services
 - Sport and recreation facilities
 - Library

As a result of the implementation of the process improvement plan outlined in 3.1 below the Sustainability benchmarks will be as follows:

Measure / benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FTF benchmark?
Operating Performance (Greater than or equal to break-even average over 3 years)	-1.7%	0.2%	0.7%	0.4%	Yes
Own-Source Revenue Ratio (Greater than 60% average over 3 years)	68.5	68.6	68.8	68%	Yes
Own-Source Revenue Ratio (with FAGS)	89.4%	89.2%	89.1%	89.2%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	89%	100%	103%	103%	Yes

Explain the key assumptions that underpin your strategies and expected outcomes.

For example the key assumptions that drive financial performance including the use of SRVs, growth in rates, wage increases, Financial Assistance or other operating grants, depreciation, and other essential or major expense or revenue items.

- The key assumptions that underpin the long term financial plan that form the basis of the revised ratios that include the performance improvement plan are as follows:
- Annual Rates Increase – 2.5% (noting no special rate variation included)
- Wages – annual increase of 2.8%
- CPI – annual increase of 2%
- Operational Improvements – as individually listed in Section 3.1 below
- Financial Assistance Grant – \$3,830,00 in 2015/16 and 2016/17 and then increasing annually by 2% from 2017/18 onwards

3.1 Sustainability

Outline your strategies and outcomes in the table below.

3.1 Sustainability

Objective	Strategies	Key milestones	Outcome	Impact on other measures
Review of functions within General Manager Unit	Review staff resources in General Manager Unit	Contracting out of internal audit services	<ul style="list-style-type: none"> • Reduction in FTE's • Positive impact on Operating Performance Ratio - \$70,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency

Two Director Model	Adopt organisational structure with two directors (implementing recommendations of earlier organisational review)	New Organisational Structure implemented	<ul style="list-style-type: none"> • Reduction in FTE's • Positive impact on Operating Performance Ratio - \$125,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency
Change approach to provision of phones	Implement a Bring Your Own Device approach to phones	New Policy Implemented	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$2,000 per annum saving • Positive impact on Building and 	<ul style="list-style-type: none"> • Efficiency

			Infrastructure renewals ratio (as savings spent on renewal works)	
Review of roles in Corporate Services	As vacancies occur evaluate need to replace	New Organisational Structure implemented	<ul style="list-style-type: none"> • Reduction in FTE's • Positive impact on Operating Performance Ratio - \$60,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency

Review of roles in Engineering Services	As vacancies occur evaluate need to replace	New Organisational Structure implemented	<ul style="list-style-type: none"> • Reduction in FTE's • Positive impact on Operating Performance Ratio - \$130,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management
Review of roles in Community Services functions	Undertake a review of all the community services provided by Council	New Organisational Structure implemented	<ul style="list-style-type: none"> • Reduction in FTE's • Positive impact on Operating Performance Ratio - \$140,000 per annum saving • Positive impact on 	<ul style="list-style-type: none"> • Efficiency

			Building and Infrastructure renewals ratio (as savings spent on renewal works)	
Review Council's Motor Vehicle Fleet	Purchase more fuel efficient vehicles	Motor Vehicle Procurement Policy updated and implemented	<ul style="list-style-type: none">• Positive impact on Operating Performance Ratio - \$23,000 per annum saving• Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works)	<ul style="list-style-type: none">• Efficiency

Street Sweeping	Reduce the frequency of Street Sweeping	Implementation of new street sweeping roster	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$100,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management
Roundabout Plantings	Change approach to longer lasting plants such as perennials	Annual plant replacement program modified and implemented	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$10,500 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management

			spent on renewal works)	
Library Hours	Review the hours of operation of the Library	Alterations to opening hours of Library	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$43,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency
Library Operations	Review roles in the Library that become vacant	New Organisational Structural implemented	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$30,000 per annum saving • Positive 	<ul style="list-style-type: none"> • Efficiency

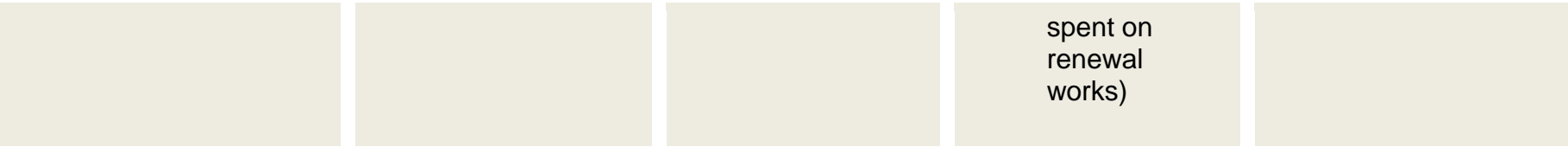
			<p>impact on Building and Infrastructure renewals ratio (as savings spent on renewal works)</p>	
<p>Maintenance to Renewals</p>	<p>In accordance with Council's adopted Asset Management Plan, re-prioritise maintenance expenditure to renewal works in the road network</p>	<p>New works program (roads) implemented</p>	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$200,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Infrastructure & Service Management

Recreation Facilities	Review the facilities, services, fees and charges and the delivery models for Council's Recreation Services	Revised fees and charges adopted by Council	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$128,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management
Litter Bins	Contract out the collection of litter bins	Contractors engaged	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$25,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management

			spent on renewal works)	
Tourism, Economic Development and Events	Review of Tourism & Economic Development roles and increase usage of the iconic Roxy Theatre	Increased use of the Roxy Theatre for functions/weddings	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$45,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) • 	<ul style="list-style-type: none"> • Efficiency
Golf Course	Assist the golf course sub-committee in growing capacity until they can take on management of golf course, potentially incorporate themselves and	Reduction in subsidy	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$100,000 per annum saving • Positive 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management

	reduce council subsidy		impact on Building and Infrastructure renewals ratio (as savings spent on renewal works)	
Building Application Fees	Cost recover key inspection fees	Revised fees and charges adopted by Council	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$25,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency

Section 94A Levies	Review the levies for section 94A applicants	Revised fees and charges adopted by Council	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$100,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings spent on renewal works) 	<ul style="list-style-type: none"> • Efficiency
Depreciation	<p>Review the approach to depreciation on Councils assets</p> <p>(currently underway with a conservative estimate of a reduction of \$250,000 pa allowed for)</p>	Completed audited financial statements	<ul style="list-style-type: none"> • Positive impact on Operating Performance Ratio - \$250,000 per annum saving • Positive impact on Building and Infrastructure renewals ratio (as savings 	<ul style="list-style-type: none"> • Efficiency • Infrastructure & Service Management



3.2 Infrastructure and Service Management

Summarise your council's key strategies to improve performance against the Infrastructure and service management benchmarks in the 2016-20 period, including the outcomes you expect to achieve.

Leeton Shire Council has taken the approach that any operating surplus generated as a result of the improvement opportunities identified will be applied to renewals. This will positively impact Council's Building and Infrastructure Renewal Ratio and the Infrastructure Backlog Ratio.

In addition to these the following actions and strategies will directly impact infrastructure and service management:

- Greater emphasis on asset renewal works in accordance with adopted Asset Management Plans resulting in a lowering of maintenance expenditure
- Review of depreciation rates for Council's assets
- Reduction in frequency of street sweeping
- Contracting out collection of litter bins
- Changing the approach to roundabout plantings
- Disposal of non-core assets
- Review of engineering services

As a result of the implementation of the process improvement plan outlined in 3.1 below the Infrastructure and Service Management benchmarks will be as follows:

Measure/- benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Infrastructure Backlog Ratio (Less than 2%)	6.0%	5.8%	5.7%	5.6%	No (Improving Trend)
Asset Maintenance Ratio (Greater than 100% average over 3 years)	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	2.6%	2.6%	2.5%	2.5%	Yes

Explain the key assumptions that underpin your strategies and expected outcomes.

- The key assumptions that underpin the long term financial plan that form the basis of the revised ratios that include the performance improvement plan are as follows:
- Annual Rates Increase – 2.5% (noting no special rate variation included)
- Wages – annual increase of 2.8%
- CPI – annual increase of 2%
- Operational Improvements – as individually listed in Section 3.1 below
- Financial Assistance Grant – \$3,830,00 in 2015/16 and 2016/17 and then increasing annually by 2% from 2017/18 onwards

3.2 Infrastructure and Service Management

Outline your strategies and outcomes in the table below.

3.2 Infrastructure and service management

Objective	Strategies	Key milestones	Outcome	Impact on other measures
As per Table under 3.1				

3.3 Efficiency

Summarise your council's key strategies to improve performance against the Efficiency measures in the 2016-20 period, including the outcomes you expect to achieve.

Council's modelled real operating expenditure per capita shows a downward trend from the current real operating expenditure per capita of \$1,464 in 2013/14 to \$1,463 in 2019/20. These figures are modelled on the current ABS population statistics, however if modelled on the population estimates by "Informed Decisions – Population Experts August 2014" which indicate it will grow to 12,337 by 2031 there will be further improvement in this ratio.

As a result of the implementation of the process improvement plan outlined in 3.1 below the Efficiency benchmarks will be as follows:

Measure/- benchmark	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Real Operating Expenditure per capita (A decrease in Real Operating Expenditure per capita over time)	\$1,351	\$1,348	\$1,342	\$1,349	Yes

Explain the key assumptions that underpin your strategies and expected outcomes.

- The key assumptions that underpin the long term financial plan that form the basis of the revised ratios that include the performance improvement plan are as follows:
- Annual Rates Increase – 2.5% (noting no special rate variation included)
- Wages – annual increase of 2.8%
- CPI – annual increase of 2%
- Operational Improvements – as individually listed in Section 3.1 below
- Financial Assistance Grant – \$3,830,00 in 2015/16 and 2016/17 and then increasing annually by 2% from 2017/18 onwards

3.3 Efficiency

Outline your strategies and outcomes in the table below.

3.3 Efficiency				
Objective	Strategies	Key milestones	Outcome	Impact on other measures
As per Table under 3.1				

3.4 Improvement Action Plan

Summarise the key improvement actions that will be achieved in the first year of your plan.

Action plan

Actions	Milestones
Review staff resources in General Manager Unit	Contracting out of internal audit services by end of 2015/16
Adopt organisational structure with two directors (implementing recommendations of earlier organisational review)	New Organisational Structure implemented by end of 2015/16
Review vacancies across all Council functions and evaluate need to replace	New Organisational Structure implemented by end of 2015/16
Purchase more fuel efficient vehicles	Motor Vehicle Procurement Policy updated and implemented by end of 2015/16
Reduce the frequency of Street Sweeping	Implementation of new street sweeping roster by

	end of 2015/16
Review the hours of operation of the Library	Alterations to opening hours of Library implemented by end of 2015/16
In accordance with Council's adopted Asset Management Plan, re-prioritise maintenance expenditure to renewal works in the road network	New works program (roads) implemented for operational plan 2016/17
Contract out the collection of litter bins	Contractors engaged by end of 2015/16
Cost recover key building inspection fees	Revised fees and charges adopted by Council for operational plan 2016/17
Reviews the levies for section 94A applicants	Revised fees and charges adopted by Council for operational plan 2016/17
Review the approach to depreciation on Councils assets (focussing on buildings and roads) (currently underway with a conservative estimate of a reduction of \$250,000 pa allowed for)	Completed audited financial statements 2015/16

Outline the process that underpinned the development of your Action Plan.

Improvement Plan Methodology

Council undertook a process of identifying, investigating and testing a range of improvement opportunities.

The process was as follows:

1. Senior staff completed Improvement Opportunities templates as a 'mini business case' to investigate opportunities in terms of ease of implementation, net financial benefit (or cost), impacts, legacy issues, risk, stakeholder consultation and implementation steps.
2. The ideas that staff considered had merit were then collated into a list of proposals for consideration by elected Councillors for inclusion as part of Council's Improvement Proposal.
3. The identified financial benefits were modelled into the Long Term Financial Plan to enable the impact on the Fit for Future ratios to be modelled as Council's improved position.

In addition to the opportunities that are able to be modelled into the Long Term Financial Plan, staff have identified several other potential opportunities which require further work to ascertain possibility of implementation and estimated financial benefits. Once these are costed they will be built into future revisions of the Long Term Financial Plan.

Two public meetings were held on the 3 June 2014 to outline to the community the options available to Council in relation to the Fit for the Future process. Both meetings were unanimous in the desire by the community for Leeton Shire Council to stand alone as an individual Council whilst undertaking process improvements to improve its long term sustainability.

3.5 Other actions considered

In preparing your Improvement Action Plan, you may have considered other strategies/actions but decided not to adopt them. Please identify what these strategies/actions were and explain why you chose not to pursue them.

The Independent Local Government Review Panel in its final report recommended that Leeton Shire Council and Narrandera Shire Council should investigate a possible merger between the two Councils.

As such both Leeton Shire, Narrandera Shire and the State Government jointly funded a consultant to undertake a business case to outline the merits or otherwise of a merged Council entity. A business case was prepared by Morrison and Low consultants into the feasibility of a merger between the two Councils. The shared modelling business case identified that:

- There is little difference between the existing scale and capacity of each council and the merged council.
- Leeton Shire Council currently meets three of the seven Fit for the Future Benchmarks whilst Narrandera Shire Council currently meets only two (with a third being met in 2017) The merged Council would only meet two.

Comparison of Options v Benchmarks set for Fit for the Future

Council	Leeton Council	Narrandera Council	Merged Council	
			Day one	Modelling period
Operating Performance	No	From 2017	No	No
Own Source Revenue	Yes	No	No	No
Debt Service Cover	Yes	Yes	Yes	Yes
Asset Maintenance	Yes	Yes	Yes	Yes
Asset Renewal	No	No	No	No
Infrastructure Backlog	No	No	No	No
Real Operating Expenditure	No	No	No	No

A merged council would meet two of the indicators from day one; Debt Service Cover and Asset Maintenance Ratios.

Of the other indicators:

- The Operating Performance ratio improves steadily from a low of -8.4% at the time of the merger until 2020 when it gets to 2.7% before starting to decline again.
- The Own Source Revenue almost achieves the benchmark requirement of 60%, averaging 59.6% for the years from 2019 onwards
- The Asset Renewals ratio peaks at around 67.5% in 2016 before falling back to an average of 60.6% from 2018 onwards, well below the required benchmark of 100%
- The Infrastructure Backlog rises consistently from 6.8% towards 16.9% by the end of the modelling period, remaining well above the 2% benchmark

- The Real Operating Expenditure shows a steady increase across all the years modelled

The merged business case also highlighted a number of significant potential financial and non-financial risks arising from any merger that would need to be considered. These included:

- Transitional costs may be more significant than set out in the business case
- The efficiencies projected in the business case may not be delivered
- The implementation costs maybe higher and the anticipated savings may not be achieved
- Decisions subsequent to the merger about the rationalisation of facilities and services may not reduce the cost base of the merged organisation as originally planned
- The cultural integration of the two council organisations may not go well resulting in low morale, increased staff turnover rate etc, reducing business performance and prolonging the time it takes for the predicted efficiencies to be achieved
- Where two unequal sized councils merge there is a danger it is seen not as a merger but as a takeover by, in this case Leeton, the larger, more urban based council
- Service levels rise across the merged council, standardising on the highest level of those services that are being integrated
- New services are introduced that are not currently delivered in one or more of the former council areas
- The financial performance of the merged council's is less than that modelled, resulting in the need to either reduce services, find further efficiency gains and/or increase rates to address the operating deficit

On Monday 13 April 2015 a joint meeting of Leeton and Narrandera Councils was held to consider the final report from Morrison Low consultants on a merger case for the two Councils as recommended by the Independent Local Government Review Panel Report. The outcome of this meeting provided strong agreement that a merger of the two Councils did not provide any operational, financial or governance advantages.

4. How will your plan improve performance?

4.1 Expected improvement in performance

Measure/ benchmark	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Achieves FFTF benchmark?
Operating Performance Ratio (Greater than or equal to break-even average over 3 years)	-8.3%	-4.9%	-1.7%	0.2%	0.7%	0.4%	Yes
Own Source Revenue Ratio (Greater than 60% average over 3 years)	67.1%	70.3%	68.5%	68.6%	68.8%	68%	Yes
Own Source Revenue Ratio (with FAGS)	84%	92%	89%	89%	89%	89%	Yes
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)	60%	77%	89%	100%	103%	103%	Yes
Infrastructure Backlog Ratio (Greater than 2%)	4.8%	5.8%	6%	5.8%	5.7%	5.6%	No (Trend Improving)
Asset Maintenance Ratio (Greater than 100% average over 3 years)	105.4%	103.3%	100%	100%	100%	100%	Yes
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)	1.4%	2.1%	2.6%	2.6%	2.5%	2.5%	Yes

Real Operating Expenditure per capita

A decrease in Real Operating Expenditure per capita over time

\$1,466	\$1,381	\$1,351	\$1,348	\$1,342	\$1,349	Yes
---------	---------	---------	---------	---------	---------	-----

4.1 Expected improvement in performance

If, after implementing your plan, your council may still not achieve all of the Fit for the Future benchmarks, please explain the likely reasons why.

Following the implementation of the improvement plan, Council is still unlikely to meet the benchmark of 2% for the backlog ratio. For assets in the general fund the overall trend shows improvement towards 2%.

It should also be noted that the methodology behind Council's Bring to Satisfactory (BTS) figure has undergone substantial modifications over the last 3 years due to modified reporting requirements from the Office of Local Government. In 2012/13 a literal definition of 'satisfactory' was decided upon through collaboration and consultation of Council officers. In 2013/14 however, the Office of Local Government mandated that satisfactory be considered to be anything worse than a condition level of 2. Council followed this instruction and the resulting figures seemed inaccurate for the asset base as it was at the time. As aforementioned however, the guidance from the OLG was quite simplistic that any asset not reaching a condition level of 2 was deemed unsatisfactory.

Since then, Council has undergone dialogue with industry representatives that has indicated that the OLG's definition of a Condition Level 2 does not align with the International Infrastructure Management Manual (IIMM) and Council's definition of a Condition Level 2. Furthermore, the OLG's benchmark description for satisfactory better aligns itself with a Condition Level 3 (out of 5) in the IIMM and Council's condition profiles. Understandably, this excludes quite a proportion of Council's assets from being considered as unsatisfactory. With this in mind, Council has received from industry representatives, a revised BTS figure that is more in line with this definition as follows:

- 2015/16: 5.8%

- 2016/17: 6.0%
- 2017/18: 5.8%
- 2018/19: 5.7%
- 2019/20: 5.6%

As shown above the revised figure shows an improving trend for Leeton Shire Council.

5. Putting your plan into action

How will your council implement your Improvement Action Plan?

For example, who is responsible, how the council will monitor and report progress against achieving the key strategies listed under Section 3. The improvement action plan will form an integral part of Council's Integrated Planning and Reporting framework achieved by including the actions in the four year delivery plan, the yearly operational plan and long term financial plans.

Council's responsibilities outlined in this document in relation to sustainability, infrastructure and efficiency measures, will be continually monitored and the subject of regular reporting to Council. Whilst the primary responsibility will fall to the General Manager, the Senior Management Team of Council will closely monitor the impacts on Council and ensure the improvement action plan is effectively implemented across Council and adhered to as required.

Council will ensure that it meets any reasonable reporting requirements via its financial statements and annual reports and believes the improvement action plan initiatives have been well considered and provide a firm foundation to ensure the long term sustainability of Council.